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SAN FRANCISCO BAY AREA

ECONOMIC DEVELOPMENT AND THE REGIONAL ISSUES

**Report of the Economic Development Subcommittee
of the
ABAG Regional Planning Committee**

October 3, 1979

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SAN FRANCISCO BAY AREA

ECONOMIC DEVELOPMENT AND THE REGIONAL ISSUES

SUMMARY

The San Francisco Bay Area has enjoyed relative prosperity compared to many other regions and under present conditions is projected to continue to grow economically at a steady rate. Why then consider regional economic issues?

Looking ahead, problems are appearing that if not addressed can constrain economic growth in an unsatisfactory manner. Dealing with these problems now means a greater assurance that job growth will keep pace with population growth and that social disparities and locational imbalances within the region can be reduced.

Unlike older declining metropolitan areas, the region's economy is growing. Unlike many other metropolitan areas with burgeoning heavy industrial and commercial growth, the Bay Area has sought to balance new development with concern for the quality of its environment. Interestingly, like older urban areas, the region's jobless rate has been consistently higher than national averages.

In recent years two important ABAG activities--the Environmental Management Plan and the Industrial Siting Pilot Project--stressed the significance of economic development issues at the regional level. In individual communities throughout the Bay Area, the importance of understanding economic issues was highlighted further by the passage of Proposition 13 and by the prospect of related legislation that may seriously affect local governments' ability to raise new revenues for new capital investments and to support economic development. These limits on financing may also affect the attitudes and policies of cities and counties about the desirability of economic development.

In view of these concerns, ABAG is examining economic development issues and opportunities facing the Bay Area. Assisted by a demonstration grant from the Economic Development Administration of the U.S. Department of Commerce, the purpose of this work is to analyze the region's economy, assess existing economic conditions in the region and to propose a strategy addressing critical regional problems.

The term "economic development" needs to be defined. Like so many other commonly used terms, the spelling is perhaps the only common acceptance in a typical gathering of those discussing this and related topics. To some, it means the development of real estate; to others, the level of investment and employment, income levels and consumer spending patterns, and even vocational training to reduce unemployment. Settling on a useful definition is not easy, even at the most general levels, since regional growth and location theory generate as much disagreement as consensus.

For purposes of the ABAG program, the following working definition is proposed:

Economic development means continuing public and private investment at a level necessary to provide jobs and increase buying power for Bay Area residents and to expand the fiscal base of Bay Area communities.

This definition will be discussed and likely refined during the coming year. But regardless of how the term is defined, the immediate goal for ABAG is to define the regional dimension of economic development and to develop regional policies that will assist in maintaining an appropriate level of public and private investment in the region's economy.

DEFINING REGIONAL PROBLEMS

Overall, the Bay Area does not face the traditional problems of a declining economy. The area faces the more complicated challenge of managing growth in a way that preserves the unique qualities of the region while fostering a growing, healthy economy over the long term. What are the problems? Five major concerns require attention:

1. Jobs/Housing Imbalance

The region's job growth and new housing development are going in different directions, increasing the distance between new jobs and new housing. Many new jobs are concentrated in San Francisco and the southern peninsula. Often they are not located near areas of unemployment. Meanwhile, new housing is being built at the periphery of the region where open land is still available. To add to the problem, the Bay Area has among the highest housing costs of any region in the country, partly due to an imbalance between supply and demand. The high costs of new housing and the commuting to distant jobs are straining employees' incomes, sometimes keeping new workers from taking vital jobs in the Bay Area industries. This regional pattern places strain on the region's transportation systems, increases air pollution, and requires greater energy consumption. Clearly, this may be the single most difficult problem facing the Bay Area.

In addressing the problem, the following questions require careful consideration:

- o where and how can new housing be located closer to jobs?
- o where and how can new jobs be located closer to existing housing?
- o if the housing shortage is a deterrent to economic growth, will the region accept a greater housing supply?

2. Unemployment in the Midst of Growth

Growth in jobs has not eliminated unemployment. Many disadvantaged groups, particularly minorities, suffer high unemployment. Rates go as

high as 40 percent for minority young people. Pockets of serious unemployment are found in all our central cities and some smaller communities as well. Most new jobs are in office, technical, and professional fields, yet not all who want to work can fill these jobs. Knowing about these and getting to them is a problem for many. With the exception of downtown San Francisco, most new job centers are not convenient to unemployed persons. The costs of commuting by auto are rising rapidly, and public transit doesn't provide convenient service to many of these locations. Furthermore, the fast pace of job growth in office and high technology industries has made it difficult for community job training and vocational programs to anticipate and reflect the rapidly changing skill markets. No areawide program exists to examine the growth potential for jobs skills which will be generated by the new jobs in rapidly expanding industries and share that information among the separate training and vocational programs in the region.

The problems of the unemployed in older central cities are compounded by the decline in nearby jobs. Central city firms, small and large, can be a crucial resource for jobs, yet unfortunately, many of them require room to expand, beyond that immediately available at their present sites. Additionally, these firms also tend to be harder hit by environmental regulations than newer firms with modern facilities. Taken together the problems have often forced a loss of jobs in central cities where they are needed most.

Questions:

- o how can regional information about the new skills required in expanding industries be made available in vocational training?
- o how can such information be introduced into local vocational programs?
- o how can access to new jobs be improved for unemployed workers?
- o what incentives for industrial expansion are workable for areas of high unemployment?

3. Local Land Use Controls and Economic Development

The one hundred and one cities and counties in the region determine how the land is used for economic development. These local policies are affected by market pressures, citizens' views, realities of post Proposition 13 public financing, and policies of State and regional agencies. However, in the final analysis the factors are weighed and judged by ninety-two city councils and nine boards of supervisors seeking to balance neighborhood and environmental concerns with desires for economic development. The larger areawide impacts of individual decisions are seldom taken into account; in fact there is usually very little information available to a community about the region's economic picture or how a local decision may affect neighbor jurisdictions. Thus, key regional concerns about economic development are rarely

reflected in local decisions. Moreover, there is no formal procedure to encourage projects that clearly help solve regional problems--such as ensuring housing near planned job sites or adding jobs in areas of high unemployment or in locations that could reduce commuting.

Development proposals of all kinds are being more carefully scrutinized than ever but generally to determine the negative effects of new growth in the community. These more detailed reviews can add uncertainties and costs to the review of projects--large and small--making it more difficult for investors, especially the small firms, to pay for more information or absorb the costs of delay for detailed reviews. In this circumstance more innovative projects and ideas have an even harder time gaining acceptance if their impacts cannot be fully documented.

The result? A pattern of land use controls which allow too little room for new houses to meet the region's needs, an emphasis on industrial and commercial development policies designed primarily to provide needed tax revenue for the community, and an aversion to projects that "don't pay", or, while needed to serve the region's economy, are not popular land uses in most communities. Examples can be found throughout the Bay Area, including such facilities as power plants and airports.

Questions:

- o should individual communities be rewarded for land use decisions that benefit larger regionwide economic development needs?
- o should ABAG establish a program to identify key industries and sites where new development would assist the region's economy?
- o in what ways can local government decisions on major development projects give more emphasis to regional objectives?

4. Regulations and Growth

Striking a balance that reflects the goals of environmental quality and those for economic growth is essential. There is much to suggest that the area's environmental amenities are among the reasons it has been so attractive to high skilled and sophisticated industries. Yet a broad range of growth is needed and, while the Environmental Management Plan does not directly exclude any industries, the effect of the plan does discourage some industries from deciding to locate in the Bay Area. Clearly economic growth must be maintained with environmental quality. Careful monitoring is needed on a continuing basis to determine whether new jobs and investments are occurring at a level sufficient for the region's economy. If not, the role of environmental regulations should be reexamined for the part they may play in the problem.

Major developments still encounter a confusing and frustrating network of regulations, administered by a battery of separate agencies, each set up to solve one part of the environmental problem. A more

understandable and predictable review and approval system would enhance the region's attractiveness for new investment. A forum where both environmental and economic/social arguments can be heard and debated is also needed. There are a number of questions on this delicate problem:

- o should ABAG act as a clearinghouse to coordinate and set priorities for use of Federal funds supporting economic development?
- o should ABAG help resolve conflicts among regulatory agencies and relieve confusion and overlap? if so, how?
- o to what extent should the region manage the type and extent of economic development?
- o what procedures should be established to resolve conflicts between environmental and economic goals?

5. Economic Development and Fiscal Constraints

The cost of public services is rising at the same time public revenues are shrinking. While industrial and commercial growth are still seen as advantageous to the development of a sound municipal economic base, the public facilities needed to support this growth must increasingly compete in the budget with other community needs. Proposition 13 has worsened the fiscal plight of cities. Consequently, sales tax revenues can become the major objective in municipal economic development plans--regardless of the regional implications of such development. At the regional level, transportation systems are strained as commuters drive from distant housing to job concentrations in San Francisco and Santa Clara County. Yet funds for new roads are limited and expansion of transit systems is a lengthy process even when funds are available.

These questions need careful consideration:

- o how have communities' views about economic development been changed by reduced property tax returns? Has the importance of economic development been diminished? If so, are new steps needed to increase its value to a community?
- o what techniques can be used by cities and counties to finance long-term capital investments required for economic growth?
- o to what extent are increased fees paid by private investors in economic development projects an appropriate substitute for other--more constrained--tax funds?

RECOMMENDATIONS

As the Bay Area's regional planning agency and the association of its local governments, ABAG is neither a regulatory agency nor a level of

regional government. ABAG has a primary role in the review and allocation of Federal funds through A-95 grant responsibilities. It can also play an important role in pinpointing problems in the region's economy, in identifying the likely implications of certain courses of action, and in providing a forum to debate controversial issues affecting both the economy and the environment of the region. Activities such as these can bring about appropriate changes in policies and regulations governing economic development.

It is recommended that ABAG undertake a three-part program in the coming year and continue work begun this year in economic development.

1. Part one would be to extend the work of the Economic Development Subcommittee of the Regional Planning Committee and to expand contacts with business and labor groups and civic organizations. These committees provide a base to discuss the issues and enable ABAG to disseminate timely information about the region's economy.
2. Part two would be for ABAG to evaluate possible future developments which undoubtedly would alter regional economic policies. For example, if energy resources are even more limited ten years from now what changes should be considered in economic policies? What happens to the economy if environmental regulations are tightened or relaxed? Will Federal funds keep pace with needs--can they be used more effectively? What are the economic implications of continued sprawl development? Evaluating the implications of change is a sure method for improving decisions to strengthen the region's economy.
3. Finally, and most importantly, it is recommended that a set of regional economic policies be developed. They would address the following regional issues:

coordinating and targeting Federal grants

attracting new economic activity

supporting existing economic activity

locating new economic activity

balancing growth and environmental management

Preparing a regional strategy would bring together private investors, interested citizens and organizations, and provide a basis for new agreements by local governments on how the region should grow economically, where and at what pace. To complement these recommended regional policies, it is also proposed that ABAG provide planning assistance to member jurisdictions seeking aid in developing local economic development plans.

As a region's economy grows and matures, change occurs and new ideas make their impact. In recent years the Bay Area has responded to such questions as growth, transportation, and environmental quality. We know through experience that there are no easy answers and no quick solutions to difficult public questions. This report proposes that stronger attention now be given to economic development, and that a strategy be developed as a general guide for the Bay Area's growth.

SAN FRANCISCO BAY AREA

ECONOMIC DEVELOPMENT AND THE REGIONAL ISSUES

I. INTRODUCTION

The San Francisco Bay Area has enjoyed relative prosperity compared to many other regions and is projected under present conditions to continue to grow economically at a steady rate. Why then consider regional economic issues?

Looking ahead, problems are appearing that if not addressed can constrain economic growth in an unsatisfactory manner. Dealing with these problems now means a greater assurance that job growth will keep pace with population growth and that social disparities and locational imbalances within the region can be reduced.

The region faces serious challenges typical of maturing urban areas striving to maintain a diversified economy. Unlike older declining metropolitan areas, the region's economy is growing. Unlike some newer metropolitan areas with burgeoning heavy industrial and commercial growth, the Bay Area has also sought to balance new development with concern for the quality of its environment. Interestingly, like older urban areas, the region's jobless rate has been consistently higher than national averages.

The maturation of the region is seen in both the patterns of job growth and urbanization. Long a major transportation, trade and financial

center of the west, the Bay Area now has rapidly growing aerospace and electronics industries, due in large part to a skilled workforce and significant government investments. Newer industries have displaced obsolete firms, and industries have moved out of central cities as older facilities are without land to expand or in need of redesign to incorporate new technologies. In some older centers, such as San Francisco, there has been phenomenal growth in office development and a resurgence of retail trade. Others still suffer from the flight of people and jobs to the suburbs. Although central cities have declined in population, overall regional population continues to grow--in large measure because of the increases in job opportunities. Economic development and urban growth are important to local governments not only because they provide employment but also because they are important sources of revenue. In recent years the costs of government have risen more rapidly than revenues, and the growth in new revenues has not been equally distributed among jurisdictions. To secure needed resources, many cities have actively sought to attract new industry.

A further sign of maturity is the concern of Bay Area residents for balancing economic growth with environmental protection. Three years ago, ABAG was charged with developing an Environmental Management Plan for the region. The Plan, adopted by the Executive Board, sets forth public and private actions to attain State and Federal standards for clean air and clean water. Local elected officials worked with business and labor organizations and civic and environmental groups to develop a plan that would meet those standards but did not pose insurmountable problems to continued economic growth. In preparing the plan, serious

questions were raised about further heavy industrial growth in the region and the potential loss of jobs from proposed changes in industrial processes and residential settlement patterns. ABAG also undertook an industrial siting project exploring ways in which the region could maximize industrial development with minimal environmental degradation through the careful location of major new facilities.

Through these experiences, as well as individual circumstances in each community, people throughout the Bay Area have become more aware of the importance of understanding economic issues. This was highlighted further by the passage of Proposition 13 and by the prospect of related legislation that may seriously affect local governments' ability to raise new revenues for new capital investments and to support economic development. These limits on financing may also affect the attitudes and policies of cities and counties about the desirability of economic development.

Since the Bay Area does not face the traditional problems of a declining economy, a program to simply stimulate economic development is not sufficient. The area faces the more complicated challenge of managing growth in a way that preserves the unique qualities of the region while fostering a stable, viable economy over the long term. The need to look at regionwide economic development questions has been clear for some time. Indeed private market leaders recognize that many economic functions are regional in scope. Labor markets, sales areas, and distribution are examples of these functions. Until last year, however, government agencies in major metropolitan areas were seldom organized to

plan for economic development on a regional basis. In 1978 the Economic Development Administration in the U.S. Department of Commerce established a demonstration program that would enable councils of government to identify regional economic development issues and formulate programs that could address them. In nationwide competition, ABAG received one of the first five grants in October, 1978 and has spent the last year reviewing problems and issues facing this region. This report describes that work and makes recommendations about roles for ABAG, as a regional planning agency and association of local governments. The Economic Development Subcommittee of the Regional Planning Committee and has prepared this report now being submitted to its parent committee for review. ABAG's Executive Board and General Assembly will also review the document and make revisions, as appropriate. In addition, a special conference of economic development specialists from the public and private sectors will be convened to discuss the report and make recommended changes prior to final review by the General Assembly. The final report will guide ABAG's economic development work in the coming years.

DEFINING ECONOMIC DEVELOPMENT

The term "economic development" needs to be defined. Like so many other commonly used terms, the spelling is perhaps the only common acceptance in a typical gathering of those discussing this and related topics. To some, it means the development of real estate; to others, the level of investment and employment, income levels and consumer spending patterns,

and even vocational training to reduce unemployment. Settling on a useful definition is not easy, even at the most general levels, since regional growth and location theory generate as much disagreement as consensus.

For purposes of the ABAG program, the following working definition is proposed:

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This definition will be discussed and likely refined during the coming year. But regardless of how the term is defined, the immediate goal for ABAG is to define the regional dimension of economic development and to develop regional policies that will assist in maintaining an appropriate level of public and private investment in the region's economy.

What is a satisfactory level of economic growth? Many would agree that growth is satisfactory when it compensates for structural unemployment resulting from a changing economy, provides opportunity for new entrants into the labor force and the business community, and keeps personal income growing at a rate that stays ahead of inflation. In the Bay Area, economic growth has been, for at least four decades, steady and sometimes spectacular. A slowing of growth in one economic category has been offset for the most part by gains in other areas. An example is

the employment losses on San Francisco's waterfront since 1950 accompanied by the explosion in Financial District employment during that same period. Another example would be the decline in regional agricultural activity due to urbanization in Santa Clara County while the electronics industry expanded. These and similar shifts in economic activity are indicative of the mature nature of the Bay Area. Obviously, what is seen to be a "satisfactory" level of economic development in one era will not suffice in another. Nor is the perception of "satisfactory" always shared among all the participants in the region's economy.

In the process of measuring growth and performance, it is necessary to define other terms used in regional economic development planning. One simple but useful distinction is between "basic" and "non-basic" or "export" and "non-export" activity. Economists lump all activities within the same frame of reference: regional activities that export goods or services and draw in income from other places are deemed "basic" or "export" activities, and the essence of the region's economic "base." Other activities that primarily serve the residential population and business sectors are termed "non-basic" or "non-export." A manufacturing concern assembling computer terminals or machine tools for sale abroad would thus clearly fall into the "basic" category, while a supermarket serving a single community would be a "non-basic" activity.

The relative importance of the two levels of activity in larger regions is debatable. There is a growing feeling that mature regions are

expanding as much from growth of activity serving the region as from changes in levels of export activity to others outside the region. Many claim that the Bay Area's economy relies heavily on this internal activity for growth rather than the traditionally perceived need for reliance on new heavy or basic industry.

A BRIEF HISTORY OF ECONOMIC DEVELOPMENT IN THE REGION

To better understand the Bay Area's present economy, its economic history is a useful starting place. The location and physical character of the region guaranteed that it would achieve prominence as a center of commerce and industry. The region was doubly blessed in early development years: it served ably as a port during the West's expansion; and it enjoyed a climate and natural resource setting that supported peripheral development not dependent on the port city's success. Thus, while San Francisco prospered as a trade center serving the Gold Rush, early settlers in the Santa Clara Valley, Marin, Sonoma, and Napa counties and other fringe areas were developing a successful agricultural and stock management industry. Added to all of this was the strategic position of the Bay Area in a military sense, of which the United States Government was quick to take advantage.

There are some similarities between the Gold Rush period and the recent past. The region still serves as a major maritime center for California and the nation, though the goods have changed and the shipment patterns are different. Peripheral communities are still prospering, though for

somewhat different reasons, and the military presence, heightened during the Second World War, is less viable but still important. Major changes since the 19th century are reduced in-migration and shifts in the region's secondary economic activities to reflect maturity and increasing affluence. Thus, economic development has been composed largely of changes of emphasis rather than a more dramatic modification of the entire economic base.

The first major change was seen following the end of the nineteenth century, as the railroads reached into California and opened new markets to western producers (and consumers). Further changes occurred following World War I, in the early thirties, and just prior to Pearl Harbor, as defense spending was generally increased. Through these changes, the Bay Region was transformed into a more diversified industrialized area, with a growing labor force skilled in manufacturing and in processing. Economic development efforts were primarily the province of land and railroad companies, industrial firms, and the occasional chamber of commerce booster committee. Universities in the region began providing quality education to residents and supporting industrial growth with research and resulting new technologies. For example, the seeds of the electronics industry were sown by people associated with Stanford University as early as 1910.

World War II's demands upon the Bay Region changed it forever. With its strategic location as a safe port, with its role as a shipbuilding and ordnance center, and as a processing point for agricultural and mineral resources, the region saw enormous changes in its economic and physical

characteristics. After the war, the University of California continued work in atomic weapons research and substantial Federal monies have supported this major industry since.

Following the Korean War and fifteen years of steady in-migration and economic expansion, the region had changed principally in shape--its geographic and demographic profile was modified through decentralization to suburbs. While southern California continued to receive the lion's share of the State's in-migration, Contra Costa, Marin, and Santa Clara counties changed from agricultural to suburban residential areas.

Economic growth since the late fifties has continued along the same lines; in fact, the region's mainstays of employment, consisting of manufacturing, trade, services, and government categories, have grown apace in roughly the same patterns, and remain today relatively equal in terms of absolute numbers of those employed.

There have been, however, shifts in economic activity. They are important to an understanding of issues in economic development as the region faces the eighties. They include:

- o Decline of small manufacturing and processing industries in San Francisco and Oakland.
- o Dramatic rise in office-based employment geared to private and public administrative, financial, and related services.

- o Widely acknowledged expansion of the electrical machinery and electronics industry.
- o Loss of business and prestige by the Port of San Francisco--exceeded by growth across the Bay at the Port of Oakland.
- o Expansion of government personnel and services along with increased expenditures.
- o Production of most new housing at the fringes of the region.

Throughout the period, regional business and personal income has risen, and with few years excepted, prosperity has been the norm. This growth, however, has not been equally experienced by all regional communities and their inhabitants.

As important as the functional and geographic changes in the regional economic setting have been, there are other changes as well that warrant consideration. These lie mainly in the social and political support for economic development at the regional level, and the roles of business, institutions, and government in the process. Emergence of the "environmental" movement in the sixties--earlier than most areas around the country, and more visible and influential--changed once and for all the decision-making process related to investment in economic development. The changes in that process, still evolving, present new

challenges to all Bay Area residents as the present era ends and another follows.

II. PERCEPTIONS OF THE BAY AREA ECONOMY

The economy of a region is difficult to define. Because of its dynamic nature a regional economy is both the identifiable industries, labor force, productivity indices, etc. that are commonly used to measure an economy and the perception of those who make decisions affecting the economy. In an effort to develop consensus on the nature of the Bay Area's economy, ABAG has undertaken several different efforts to define the economy and the problems and issues that face the region in economic development planning.

The Bay Area economy is described in a separate report prepared jointly by ABAG and the Bay Area Council. This "profile" provides basic information on several key facets of the region's economic systems:

- o Comparisons between the Bay Area and other metropolitan areas
- o Recent Bay Area population growth trends
- o The importance of migration into and out of the region
- o The relative importance of different Bay Area economic activities, contrasted with the state and the nation
 - o as a manufacturing center
 - o as a transportation and trade center
 - o as a finance and government center

In addition, steps were taken to identify economic problems and appropriate ways in which ABAG could undertake regionwide economic development planning:

- o The ABAG staff defined five major problems facing the region--which could potentially be acted upon here in the Bay Area. Other national and worldwide problems such as inflation and diminishing resources were discussed but were omitted as being far beyond solution in the region. This section is entitled Defining Regional Problems.
- o Economic consultants were asked to advise the staff and Economic Development Subcommittee on their views of the overriding issues. These are reflected in the section titled Addressing Regional Issues.
- o ABAG staff met with key individuals involved in economic development from around the Bay Area to determine their perceptions of economic development. Their responses are summarized in the section titled Comments on the Region's Economic Development.

A. Defining Regional Problems

The growth and continued health of the Bay Area's economy rest on many decisions by the private sector and by public bodies; decisions made in

Washington and Beijing (Peking) as well as in San Francisco and Sunnyvale.

Within the region no single body is responsible for public decisions affecting economic development, and within the private sector, executives in manufacturing, finance, real estate, and service industries make a hundred daily decisions about their enterprise affecting the region's economy. For each individual the economic development problems are different. For each industry there is a different group of problems. What is described here are five broad problem areas that appear to have major consequences for economic development:

- o The Jobs/Housing Imbalance
- o Unemployment in the Midst of Growth
- o Local Land Use Controls and Economic Development
- o Regulations and Growth
- o Economic Development and Fiscal Constraints

1. Jobs/Housing Imbalance

The physical development of the region--where, when, and what kind--is central to economic development. The type and location of jobs, and how they are linked to homes of the workers set the basic physical framework of a metropolitan area. As one economic development official put it, "How we develop is the issue."

Simply put, growth in jobs in parts of the region is rapidly outstripping growth in new housing. These local shortages result in higher housing prices and have caused key manufacturing firms to look outside the Bay Area for sites to expand production. Electronics firms, in particular, are beginning to locate new facilities in Arizona, Oregon, and Idaho because of Bay Area housing costs. In addition, the localities adding new housing are far from job centers, and this housing continues to be built at low densities. This means workers must commute long distances under congested conditions to reach work from homes they can often barely afford. The sprawling nature of development has slowed the development of new transit systems which require greater density to operate economically. This pattern of development is the result of a number of factors. Federal mortgage insurance programs favored low density developments, and much of the region's housing was built during a time of apparently unlimited fuel supplies, and automobile access was desirable and popular. More recently, cities and counties have responded to citizens' desires for less growth and lower residential densities. Local government dependence on property tax revenues encourages overzoning for industrial uses which generally pay more in taxes than they require in services, while underzoning for residential uses which require more services. This has further limited the supply of housing and resulted in higher prices.

Growth control, combined with low densities, has become popular throughout the region, from San Francisco to the smallest communities. Recent new developments have been built at half the density of older neighborhoods, and some communities have set annual ceilings for new

growth. These initiatives have been reinforced by the new public finance economics of Proposition 13: virtually no new residential developments now generate sufficient tax revenues to pay their public costs.

The impact of limited housing supplies, coupled with increasing job growth, means forcing housing prices above the reach of many middle class families--let alone lower income populations. Firms in highly competitive markets for employees (such as major high technology firms) find that the region's high housing costs make it difficult to attract key people from other areas. Some of their best potential employees have chosen to join firms in areas where their salary will buy more housing and community amenities.

The imbalance between the location of jobs and housing as well as the natural pressures of additional growth directly affect the region's transportation systems. Increased commuting is overloading the highway system particularly, and many transit systems are near capacity. Every part of the Bay Area has its traffic bottleneck, each competing for limited highway funds. Public transit systems continue to grow, and additional Federal funds have recently been appropriated to relieve short-term problems. Even more substantiated monies would be required to affect a major shift of commuters from cars to transit.

The two largest job growth centers, downtown San Francisco and South Bay, are both struggling with transit systems approaching capacity at commute hours. San Francisco, adding an average of more than one

million square feet of offices per year and 5,000-10,000 new commuters, is fed daily by two bridges, four ferryboats, two freeways from the south, three major transit systems from the East Bay and Marin, and a reluctant Southern Pacific train service from the Peninsula. San Francisco now houses approximately 60% of its downtown workers; the prospect for increasing the total housing available in the city is negligible, severely limited by geography and public policy. Growth downtown requires increasingly heavier burdens on existing commuter transportation systems.

On the Peninsula, high technology industries are concentrated between Palo Alto and San Jose along the Bayshore Freeway. In recent years they have grown rapidly. None of the South Bay communities except San Jose has large amounts of land available for new housing, and modest proposals for increasing densities at selected locations are generally resisted by community groups. The ABAG/MTC Santa Clara Valley Corridor Evaluation, completed in 1979, concluded that new highways could at best maintain existing levels of congestion--and then only if the State Legislature approved a 2 cents gas tax increase. A county study projects a 10% increase in transportation capacity and 40% increase in commuting by 1990. The first leg of a light rail transit system, tied to improved commuter rail service along the SP corridor, could be started in the early eighties, but it will be well into the nineties before public transit can hope to relieve the burgeoning commuter demand. Another step, recommended to local governments and private industry, would be to locate firms expanding in Santa Clara County farther south near areas of new housing and to build that housing at

somewhat higher densities than current plans.

In addressing the problem, the following questions require careful consideration:

- o where and how can new housing be located closer to jobs?
- o where and how can new jobs be located closer to existing housing?
- o if the housing shortage is a deterrent to economic growth, will the region accept an increased housing supply?

2. Unemployment in the Midst of Growth

Another pressing problem facing the Bay Area is a high overall unemployment rate and serious unemployment among minority populations throughout the region. Various public agencies estimate that unemployment among black, brown, and Asian populations, especially the young, may in fact be as high as 40%, depending on how one counts those "in the labor force, seeking work." To accept this large a segment of the regional population as simply unemployable would be to face a deep continuing crisis in those population groups. Such disregard clearly is unacceptable, and the social costs, such as an increase to the already dreadful crime problem that result from such enforced poverty would be high.

The stabilization or decline of heavy industrial employment in many older regional centers has not been offset by the job gains in office-related occupations for many of those employees. This structural unemployment problem remains one of the most convincing arguments for a strong program regionally to produce additional employment opportunities for those not yet working.

Growth in Bay Area jobs hasn't solved our chronic unemployment problems. During the last decade, the region's economy has continually grown at or above national rates, and just as consistently it has seen unemployment rates exceeding national averages. In 1975 the Bay Area unemployment rate was 8.8% vs. a U.S. figure of 8.5%. In 1978 it was 6.2% vs 6.0%. In June, 1979--the first time since 1955--the regional unemployment rate of 5.3% fell below the 6.0% national figure.

Key aspects of Bay Area unemployment patterns are related to the location of jobs and the skills of the unemployed. The centers of unemployment are mostly in the central cities, San Francisco, Oakland, and San Jose. Oakland and San Francisco have lost many blue collar jobs. Regionwide, such industries as metals, lumber and food processing have been declining or remained stable.

The overall effect of the mismatch between growing new jobs and continuing unemployment of persons with skills that don't match the market is that the firms must recruit workers from outside the region to fill their needs. New workers move to the Bay Area, and the unemployed are still without jobs. Some communities are designing economic

development strategies to attract firms which can employ unemployed residents. Some cities are also encouraging (or requiring) new firms to give first consideration to local residents. These individual programs are a start but have not as yet taken hold regionwide as yet.

Even with training programs, high technology industries pose a special problem. The extremely rapid rate of technological obsolescence--where state-of-the-art equipment can change every six months--makes it very difficult for public programs to train employees on equipment they will be using, unless the training actually takes place within the industries themselves.

Although the Bay Area labor force commutes daily from one county to another, the manpower training programs are organized in much smaller geographical areas. The purpose, of course, is to concentrate attention on creating jobs close to homes of the unemployed. The effect, however, is a balkanization of training programs which makes it harder to see larger regionwide trends. Some community level vocational training programs find it difficult to keep up with rapidly changing skill demands. Each individual local program seeks jobs for its trainees in its own community or nearby ones. There is no organized job information on an areawide basis which identifies new opportunities expected for the next three to five years. The problem needs to be tackled at two levels. At the regional level, an inventory should be made to match the kinds of new jobs needed with the location of those expected to be available. At a local level more information should be provided to help individual vocational training programs take advantage of job

opportunities elsewhere in the region.

With the exception of downtown San Francisco, much of the rapid job growth is occurring at locations inaccessible to the unemployed and disadvantaged populations. The growth of high technology firms along the Peninsula is removed from centers of unemployment in San Francisco, the East Bay, and the east side of San Jose. (One study found that the center of the high technology firms is an average of 1-1/2 hours' travel time on public transit from east San Jose.) Newly forming suburban office centers such as Walnut Creek and Novato, draw clerical staff from the suburbs, rather than providing jobs for central city unemployed workers. Taken together, the explosive rise in the cost of commuting by auto and the serious limits in transit service to outlying job centers greatly reduces the ability of the unemployed, particularly in central cities, to reach and compete for many new jobs.

Overall trends toward office industries and similar "clean" industrial operations have been further encouraged by local government policies. They seek new firms to bolster the tax base and create "jobs" even though local unemployed residents may not be equipped to compete for them. And while new industries are sometimes encouraged to tailor their hiring to meet the needs of local residents first, this practice cannot help an unemployed paperboard worker if the new firm is looking for computer programmers. A case in point is the unforeseen consequences of the rapid growth in San Francisco offices and tourist facilities, which created new jobs, but brought high land costs and limited areas for expansion, which tended to squeeze out traditional blue collar and

service jobs. There are, of course, exceptions. Oakland, for example, has set up a program to train city residents for jobs in the convention center and hotel to be built in the City Center project. Other cities, however, have suffered stable or declining employment at a time when their labor force has been growing. Jobs in these older job centers have been lost because many of the industries have not grown rapidly. Those firms that have grown are often unable to find expansion space in older areas. In other cases national and international market conditions have affected growth, as in the steel industry, or there has been a shift in sources of supply, as with the movement of canneries to the Central Valley. The older areas also tend to be more congested, and freight transport becomes a problem. Finally, new environmental regulations appear to hit older firms the hardest because they tend to have older equipment. It has been estimated that more than 3,000 smaller firms in central cities such as dry cleaners and paint shops could be affected by new air quality controls.

The existing firms in central cities are an important source of needed new jobs. Special attention is required to assist these firms and the cities in which they are located if they are to be able to compete effectively in the market.

Questions:

- o how can regional information about the new skills required in expanding industries be made available in vocational training?

o how can such information be introduced into local vocational programs?

o how can access to new jobs be improved for unemployed workers?

o what incentives for industrial expansion are workable for areas of high unemployment?

3. Local Land Use Controls and Economic Development

All economic activities, whether banking in San Francisco or farming in Half Moon Bay, are tied to use of the land and supporting physical facilities. The use of land for economic activities is affected by a myriad of forces and pressures, with local governments making final decisions about the kinds of development to be permitted. Pressures influencing the use of land come from the market place, community groups, local government's need for tax revenue, possible outside public funds from State and Federal programs, and regulations on development based on regional environmental regulations. City and county officials in each community must balance these in making their decision.

Ninety-two Bay Area cities and nine counties directly affect the region's economic development, as each community strikes its own balance among uses and commits the region to a development pattern. Within the region some rare communities encourage almost all types of industry and business. The vast majority, however, compete for the most attractive

economic return from land uses, such as high technology firms, prestige offices, tourist/convention centers, and tax-generating shopping centers. Other communities elect to remain residential enclaves allowing little or no economic development within their borders. The resulting pattern, while responsive to local concerns, may not always permit the easy transport of material and workers required by the region's industrial development.

Until recently it was assumed that the larger regionwide services--transportation, sewer, and water capacity--could be expanded as needed to serve the region's growth pattern. Current shortages of energy, overstressed transportation systems, and limited water and sewer capacities in some areas all underscore the fact that regional systems are approaching capacity and few funds are available to finance expansion. We are finding in this era of constrained public budgets that we cannot afford to bypass communities with underutilized public facilities in order to build new projects at the periphery. To date there has been little information available to help private investors and local public leaders give full consideration to implications for the region as a whole. Neither has there been a public forum available to all interested parties where they can look at regionwide economic development questions as a whole. Furthermore--and perhaps more important--there have been no economic incentives to reward communities taking actions benefiting the larger region.

Two specific problems should be noted, both relating to providing good information for public and private decision makers: 1) overly

optimistic market expectations, and 2) the increased demand for project data by local governments.

For example, Bay Area cities and counties have set aside more industrial land in their present general plans than will be needed by the year 2000. Even recognizing that prudent industrial development often requires a choice of locations, local governments are still designating industrial land far in excess of market expectations. While suburban communities may overzone for commercial development, some older communities have found it difficult to interest commercial developers in investing in their renewal areas. Excess zoning for commercial and industrial land keeps valuable land out of the housing market. It can also be costly for cities if public improvements are put in place long before the private investments needed for tax revenues cover public costs.

Many Bay Area local governments during the past decade have gone through a period of economic change, decline for a few, expansion for more. The net effect of rapid change has been to make the communities very sensitive to the impact of economic development projects in their own area. Further, those cities that are nearly built-up are realizing that the few vacant parcels of remaining undeveloped land represent an important resource whose use should be carefully evaluated before irreversible commitments to their use are made. The result is closer scrutiny by citizens and local officials of each project and its impact. Gathering this information lengthens the review of a project. The added time raises costs--often both for the investor and the city. Also,

innovation with its often unknown results may be discarded in this process because definitive answers are needed about impacts of a project. Another problem caused is the high cost of publishing lengthy impact reports which just repackage areawide data between new covers. There is a considerable amount of solid areawide information--particularly on environmental impacts--that could be tailored to each project and provided directly from regional sources avoiding having to contract with third parties for such information.

Taken together delays and costs created by the need for technical data and review add uncertainty and unpredictability to the development process. And it is often the unpredictability that is the greatest deterrent to investment, as businesses make long-term commitments in developing any kind of major facility. Bay Area governments are now striving to simplify the review process to relieve these problems. Forty-nine cities and two counties have set up one-stop permit review systems; another twenty-three local jurisdictions report progress toward that goal. This is good news because reducing uncertainty may enhance the range of projects proposed, innovative investments, and even the desirability for locating here rather than in other parts of the country. There are possible benefits of a change in approach.

The results of the current system of local land use decisions? A nearly universal shortage of housing close to jobs; new job centers growing in areas without room for more housing; an increasing strain on the existing transportation services, overzoning for industry beyond reasonable expectations; and nearly universal refusal to accept the

needed but locally unpopular facilities like power plants, airports, and solid waste sites.

Questions:

- o should individual communities be rewarded for land use decisions that benefit larger regionwide economic development needs?
- o should ABAG establish a program to identify key industries and sites where new development would assist the region's economy?
- o in what ways can local government decisions on major development projects give more emphasis to regional objectives?

4. Regulations and Growth

The Bay Area has been in the forefront of both the environmental management and urban growth control movements. Even in light of current controversies, environmental regulations are accepted as a fact of life. There is much to suggest that the area's environmental amenities are among the reasons it has been so attractive to high skilled and sophisticated industries. Some argue that environmental regulations are at a mature stage in the Bay Area: they are unlikely to be strengthened significantly, and are therefore predictable. By comparison other states are characterized as "catching up" with California, particularly

as the Federal Clean Air and Clean Water Acts are implemented nationwide. Others argue that there is too much confusion and uncertainty in the regulatory process. They believe the overall effect of sometimes overlapping regulatory agencies is delay and increased costs. At the same time the need for some environmental controls is not questioned, and there is general agreement that some improvements in the decision-making process are necessary.

Environmental regulations are administered by a network of regional, State and Federal agencies. Water quality regulations are the responsibility of six--or more--separate agencies who set controls on discharge of pollutants to the Bay and conditions on development of waterfront land. Air quality regulations are carried out by three separate agencies who set controls on emissions from industries, power plants, and trucks.

Each agency is charged by law with carrying out its mandate. The difficulty comes when a single firm (or local government) tries to move through the process for review and approval of a complex proposal with the multiple agencies involved. In the Bay Area the case of Dow Chemical Company is often cited as an example. That firm spent nearly \$1 million preparing environmental documents, found that they would have to obtain more than sixty separate permits, and only later discovered that newly applied Federal regulations made it impossible to meet air quality requirements. This condition is not unique to the Bay Area, to be sure; but the multiplicity of separate governmental bodies adds more confusion to an already difficult and ever-changing situation. The ABAG

Industrial Siting Task Force reviewed this situation following withdrawal by Dow of their proposal, and reported that the public agencies involved recognize the need to simplify the process and to increase predictability whenever possible. However, barring legislative action, each agency still must meet its separate legal mandate. Therefore voluntary cooperation seems the sole means for improvement until State legislation is enacted. ABAG prepared a Bay Area Permit Directory for Industrial Development and set up an Industrial Siting File to facilitate that cooperation.

Is there an increased regional role in simplifying and coordinating environmental and urban growth regulations? Given the fact that the Bay Area is one of the most governmentally complex of the nation's metropolitan areas, a strong case can be made. Its 5 million residents live in 9 counties, ranging in size from Santa Clara's 1.2 million to Napa's 92,000. An estimated 85% of the region's population live in the Bay Area's 93 cities, ranging in size from San Francisco's 660,000 to Colma's 500. Forty-seven of the 93 cities house less than 10% of the region's population.

In addition to cities and counties, there are many special districts responsible for a wide variety of functions, ranging from environmental control to transit to street lighting. Among the Bay Area's 825 special districts, roughly one quarter have direct or indirect environmental management responsibilities. Additionally, there are a score of agencies with subregional (portions of 2 or more counties) and regional jurisdictions in the Bay Area. Some of these are service delivery

agencies, others are planning agencies; and others perform regulatory functions. Such a complex governmental structure highlights the need for simplification and the difficulty in achieving consensus.

Much of the growth in jobs in the Bay Area has been in "clean" industries, where neither water quality nor air quality standards have had a serious effect on economic growth. The environmental controls have fallen most heavily on the traditional heavy industries, particularly chemical, steel, petroleum, and on utility plants. Current Federal regulations discourage major expansion of these heavy industries in the Bay Area. If true, this raises the question of the long-term effect on regional economic balance, particularly in light of the energy crisis. Attempts are being made in the ABAG Air Quality Plan to allow growth in industries which emit air pollutants. Techniques such as emission banking, tradeoffs, and a regional growth allowance are proposed. The question at the moment is whether the whole State Implementation Plan, required under the Clean Air Act, will be approved, since the Legislature has not passed an auto inspection and maintenance bill--legislation viewed by EPA as essential to an "implementable" air quality plan. If the whole air quality plan is turned down, then there will be difficulty ensuring that industrial growth can be approved, no matter how badly needed.

There are a number of questions on this delicate problem:

- o should ABAG act as a clearinghouse to coordinate and set priorities for use of Federal funds supporting economic

development?

o should ABAG help resolve conflicts among regulatory agencies and relieve confusion and overlap? If so, how?

o to what extent should the region manage the type and extent of new economic development?

o what procedures should be established to resolve conflicts between environmental and economic goals?

5. Economic Development and Fiscal Constraints

Local government financing in California has long been an arcane patchwork of local property taxes, sales taxes returned from the State, direct State and Federal aid, local fees, and other variable products of individual city and county decisions about what is important and how to pay for it. Some cities and counties relied very heavily on the property tax while neighboring communities set their base on sales tax revenue. Accordingly, the Proposition 13 constitutional amendment fell unevenly. Its impact is still not known because the effect of State "bailout" legislation on local revenues is not yet clear. However, many feel this legislation has changed previously favorable community attitudes toward economic development.

Local governments hold the key to which industrial and commercial lands will be developed. Most Bay Area communities--having lived through a

period of rapid growth in the '60s and '70s--now take a very cautious view of new development proposals, even for new industry and business. Communities want to make sure they are going to benefit if they allocate land and provide services for new firms. This process now requires more deliberation and information than in past eras. And more than ever before in construction and development, time is money. Furthermore, the lower property tax rates set by Proposition 13 mean that some industries are not the lucrative tax payers they once were and may not cover the costs of local government services. Today, most Bay Area communities are primarily concerned about whether any new enterprise will "pay its way" and opinions vary among officials about which industries and projects meet this criteria. Only in the cities hardest hit by unemployment does job creation itself appear to be a primary consideration in development planning.

Proposition 13 has also helped some businesses and communities. "This is the first time in years that our tax rates have been competitive with our neighboring cities", said one Chamber of Commerce leader. Likewise, California's overall competitive position on tax loads compared to other States has demonstrably improved. Businesses have reaped the immediate benefits of lower property tax rates (although other tax levies on them remain). Over time, those firms which do not buy new property may enjoy a relatively constant assessed valuation (and therefore limited tax load) even though the market value of their property continues to rise. The long range impact of such a practice will be a shift of the burden of property taxes from businesses to residences because houses tend to be sold much more frequently and are automatically reassessed at full

market value.

A further problem for economic development would be created with passage of the Gann tax limitation initiative to be voted on in November. That measure--which has received wide political support--would remove much of the incentive cities and counties have for new economic development. The amount of money which the units could spend would be limited. Spending could increase to reflect population growth but not economic development projects. Thus, if a community were to make investments in sewer, water and roads for a major shopping center or office park, it would not be allowed to spend any more money in its overall budget and would either have to reduce its spending for some other activity or pass these costs along to the developers. Many local officials are concerned that the effect of this provision in its present form will be to severely limit local government commitment to support future economic development.

Established cities which have seen their downtowns suffer under competition from new shopping centers could be helped--or hurt--by the Gann initiative. If a city has unused capacity for more growth downtown without major public investments, the spending limits could make such areas more attractive to investors. On the other hand, major public investments to improve downtowns--already threatened in many cities by Proposition 13--could be made even more difficult under the new spending provisions. Overall, the impact of recent and anticipated changes in local government financing seems to work to the advantage of existing firms (who get the tax cut benefits) and public facilities. And these

new tax policies will have an obvious impact on development of new economic activity in the region.

These questions need careful consideration.

- o How have communities' views about economic development been changed by reduced property tax returns? Has the importance of economic development been diminished? If so, are new steps needed to increase its value to a community?
- o what techniques can be used by cities and counties to finance long-term capital investments required for economic growth?
- o to what extent are increased fees paid by private investors in economic development projects an appropriate substitute for other--more constrained--tax funds?

B. Addressing Regional Issues

There are four activities essential to economic development; these are major areas that must be addressed in the development of any economic development policies for a regional economy.

- o Attracting New Economic Activity
(what type, what level, when)

- o Supporting Existing Activity

(reinvestment, preventing dislocation)

- o Solving Locational Questions

(what activity, where, how much)

- Balancing Growth and Environmental Management

(quality of air, water, etc., and the overall quality of life)

For the purposes of this report issues are defined as those factors that require resolution in addressing the previously identified problems. For example, if an imbalance between residential and industrial land is a problem, then one of the issues to be addressed is can 102 local units of government cooperate in developing complimentary local general plans. The issues are discussed in terms of these four essential economic development activities.

Every region requires a balance among demographic pressures, employment, and business opportunities. Mature ones such as ours, with a high level of industrialization and urbanization, are obviously more complex than those in earlier stages of development. Also, economic development issues tend to fall into the four areas listed above rather than simple growth/no growth categories. There is of course overlap among these "issues". At the same time the cumulative impacts of decisions in any one area can easily affect the capacity to deal effectively with others. Still, there are significant differences which can be illustrated with

specific examples.

Issue #1: Attracting New Economic Activity

The factors to be considered in attracting new economic activity are: what new activity, how much of it, at what cost and when? In developing economic development policies to attract new activity, "basic" industries must be given high priority. The ability of these activities to generate growth in all other sections of the region is so strong that it can easily be shown that regional development still depends heavily on expansion of such basic, or export, activities. Thus, internal additions to regional growth, or gains derived primarily from internal demand for goods and services, are not enough. As long as there is unemployment in the region and a rapidly growing work force among there is justification for developing new growth in basic activities.

To attract new basic activity, labor force, good sites, proximity to resources and markets, and regulatory permission are necessary. These have not always been available in the Bay Area. A look at employment growth since the mid-sixties shows that major gains were made in the white-collar areas of administration, engineering, government, education, finance and the like, and in skilled manufacturing. In important blue-collar areas, little overall growth can be found. The region has lost ground in heavy industries (steel, some ship repair, small manufacturing and processing, defense and other federal facility employment). Some of these losses have been offset by gains in maritime, manufacturing and public services.

The need to attract new activity and generate new employment opportunities has been evident since the end of World War II. The region has historically suffered higher rates of unemployment than the national average. Since 1960, for example, the San Francisco-Oakland SMSA has seen the unemployment rate drop below five percent only once--in 1967 when the rate declined to 4.4 percent--at the height of the Vietnam War.

The local labor force has not always matched demand. While demographic changes continue to produce an increase of relatively unskilled entrants into the labor force, demand for new workers is generally in high skill jobs. Many workers therefore have been imported to the region to fill new jobs. The imbalance, seen in high unemployment statistics among the young, the old and minorities is leaving unproductive a large segment of the labor force. Perhaps this most pressing problem is the one least understood: addressing problems of unemployment that exist in minority populations throughout the region. Various public agencies estimate that unemployment among black, brown and Asian populations, especially the young, may in fact be as high as 40 percent (depending on how one counts those "in the labor force, seeking work").

Traditionally heavy industries have produced jobs for those with low skill levels. However, attracting these industries to the region is increasingly difficult, even if markets or resources might support such a decision. For example, petroleum chemical refineries, such as those proposed by Dow and Arco, may be attracted to the Bay Area because of its proximity to Alaskan and Pacific oil supplies and west coast

markets. But public actions in the environmental area have discouraged them from locating here.

Another factor is the shortage of suitable sites for activities that would produce high additional employment and business activity multipliers. Environmental considerations are important enough to restrict or foreclose options that might otherwise have been considered attractive only a few years ago. Today, few communities would embrace a massive foundry operation, waste materials processing, chemical plants, metal stamping operations, a mine or quarry, or a large stock-feeding and slaughtering center. Even in peripheral locations, activities that might bring minimal environmental degradation are strongly opposed. In other instances industrial land is poorly located within a community or poorly served by public services.

If in fact, "heavy" industry cannot be attracted or accommodated in the region, are there apparent substitutes? Clearly there is potential growth in the business services industry, in tourism, in certain public services and in new processes such as geothermal or solar energy. How effective these are at generating "non-basic" job development is not as well documented as is the case for "heavy" industries.

To look at the reverse side of the coin, the availability of skilled labor is a major factor in attracting new economic activity. As mentioned above, the Bay Area has a highly educated and skilled labor force as compared to almost all other regions in the country. At the same time the availability of housing and the overall high cost of

living in the Bay Area are increasingly discouraging more of these persons from coming to fill regional jobs. While the industries that employ them (office work, high technology manufacturing, research and development) are well-suited to the environmental concerns of the Bay Area, they are beginning to look elsewhere, in certain instances, because of the limits imposed on the Bay Area labor force.

To attract new economic activity to the Bay Area a balance must be struck between the region's goals for employing the large segments of the population currently without work and maintaining the quality of the region's environment. Certain industries, such as tourism, meet both goals. Many others do not. Regional policies to attract new activity need to be sensitive to both the concerns of those who seek jobs and those who seek to locate facilities in the Bay Area. Further, policies should identify industries that can meet both goals and urge appropriate public actions to support them. Where one or the other goal is not met, regional policies should seek to mitigate the ill effects and provide an opportunity for support when market and resource conditions make the Bay Area a desirable location. An example of this would be support for an emissions banking system if such a system would permit added growth of job-producing basic industries without worsening regional air quality. Another example would be support for transportation system improvements that would enable currently unemployed East Bay residents to reach new jobs in the growing office industry in Walnut Creek.

In the past many have felt that the Bay Area has not had to worry about attracting new economic activity; it seemed to come of its own accord.

Maturity is beginning to change that, and hard choices must now be made among the various goals: employment, environmental quality, expansion of the economic base of cities. A regional economic development strategy provides a means for examining those questions. For such a plan to be effective, it must address them in a comprehensive manner.

Issue #2: Supporting Existing Activity

Although it would seem logical that public policy support existing economic activity, our society has a propensity to accept obsolescence as a result of "progress" and to permit deterioration with the expectation that everything has its replacement. With respect to existing economic activity, the concerns are: the deterioration of central business districts and retailing concentrations, the closure of older manufacturing and processing centers, and the economic and social disruption resulting from this inattention to economic "preventative medicine".

While recognizing that much is still unknown of the dynamics of urban reinvestment and its social cost/benefits, a regional strategy should address the following considerations at a minimum:

- o The maintenance and upgrading of existing infrastructure
- o The proper timing of public investments
- o The encouragement of continuing private interest and

investment

Why support existing, older activities? There are at least two very powerful arguments: On the one hand the region tends to function more efficiently, in transport and communication terms, within a series of business and industrial centers that have grown up around older activities. On the other hand, existing economic activities are the major producers of new jobs in the U.S. economy.

Permitting the wholesale transition of business centers results in costly decentralization and eventual redevelopment efforts. In this region some central business districts (CBD) have lost larger retail operations and gained less substantial enterprises in their place. Expensive and occasionally self-defeating redevelopment efforts to replace them follow. The Bay Area has seen few truly successful commercial renewal programs. At the same time, additional private and public funds are used to "duplicate" these functions in outlying areas.

A dangerous interplay of public neglect and business decisions comes into being in this context. The decision to close Oakland's General Motors parts plant, for instance, was attributed by GM to a combination of (1) area "change" and (2) profitability or productivity motives. A potential exodus of certain industries (printing, paint supplies, etc.) from central areas due to certain air quality standards is another example. These kinds of losses of formerly viable retail businesses is sometimes arrested through public support, sometimes allowed to occur.

Some relocation activity is, of course, natural and desirable. Major plant expansion for many businesses means a required move to an area with large amounts of available land. But for others--and there are thousands in this category--moves are made or businesses closed due to changes in public controls, lack of expansion area, lack of capital for peripheral improvements, lack of transportation alternatives for goods or employees, poor neighborhood environments, increases in crime, and so forth. Finally, certain transitions (such as the replacement of maritime activities on a waterfront by tourist attractions), though providing new employment opportunities, may in fact hasten the decline of a basic industry, or permanently prevent its resurgence. Examples are the replacement of key retailing structures by office buildings, or of a historic hotel and restaurant district by a sports arena or parking facilities. The removal of obsolete activities is desirable. What is not desirable is the thinking that permits vital areas of economic activity to reach a point of no return. Efforts to attract major new industries may be popular and newsworthy but are generally misguided. The overwhelming majority of new jobs in the U.S. are not created by large new firms at all but by small, existing entrepreneurial enterprises. The point isn't that economic development strategies should automatically avoid outside firms, but that priorities should be set on helping small firm start-ups and expanding existing local companies, or assisting local firms in danger of folding. Successfully integrating new activities with existing ones can benefit both and result in a stronger economic base.

There are a number of existing economic activities in the Bay Area in

danger of losing either a viable operating environment or in need of public investment support that does not appear forthcoming. The commercial fishing industry, small as it is now, is one; the remaining manufacturing enterprises in the older San Francisco factory zone are another; food processing in the South Bay, is a third. Agriculture throughout the urbanizing area is endangered, as are stock management and dairying. Expansion of petrochemical refining and transshipment activities are in trouble on environmental grounds and need attention; the region's shipbuilding and repair industry is threatened.

A host of older commercial districts throughout the region are in disrepair, losing customers, blighted by traffic flows and poor land use patterns. In a number of regional locations, the older retail centers have suffered a relative decline since the fifties as suburban commercial centers have been developed. In some cases, although actual sales volume is up, it is flat or negative if examined in real, non-inflated terms. Redevelopment programs have been carried out in a number of cities as a response to their central area's stagnation. Some appear successful, while in others growth has been slow, or redevelopment in one area has simply transferred pressures to adjacent areas, starting the cycle all over again.

There is no simple solution to the problems of a dynamic regional economy. In the previous example, it is possible that careful planning when the new suburban centers were first emerging might have tempered some of the impacts of this new competition on older centers. Perhaps not, as the consuming public seemed ready to embrace a new retailing

environment, and this factor typically outweighs all others. Still, one wonders whether the ten- or fifteen-year hiatus between the beginning of decline in some central districts and the first real public attempts to arrest decline was not a critical factor.

The impacts of business and institutional facility relocations or closures are difficult to measure directly, except in unusual cases where much public attention is generated and facts are gathered. Still, an analysis of certain regional statistics yields some interesting results. For example, Federal business statistics show that in San Francisco during the years 1967 through 1974, "high wage primary" jobs in the manufacturing categories declined by 42 percent--an absolute decline of 8,660 jobs, a significant number. In the non-manufacturing categories, an increase of 28 percent was seen for a gain of 45,888 jobs.

There is not yet any regional strategy for dealing with the problems of economic shifts and dislocations. Private enterprise interest and public support has yet to appear. Occasional public support for strategies (redevelopment programs, "economic development" programs, specific case treatments, the Governor's "Urban Strategy") results in lists of problems, goals and objectives. Alameda County has undertaken a county-wide review of the problem and recommendations of that study are now being considered for implementation.

It is entirely possible that the transportation costs alone involved in certain relocations of economic activity outweigh the presumed costs of

treating the problems that brought about the move. But this is not known, and support for existing, valuable economic activity is handled on a case by case, community by community, basis. The region deserves some vehicle to deal with maintaining existing economic activity, and at a minimum requires an informational base from which to study the matter.

Issue #3: Solving Locational Questions

It is with this issue that most citizens find more interest and involvement. Discussing the merits of locating activities is a more direct and understandable matter than attempting to understand industry dynamics and the cumulative impacts of small business relocations or closures. These individual project decisions are the responsibility of local governments. Still, the regional nature of them is clear. For example, it is unlikely that any major firm in the Bay Area employs only residents of the city in which it is located. To leave the locational issue solely on a local basis is to ignore the enormous regional impacts of all decisions being made at any time.

At one time, relatively free access to many regional locations left industries and institutions free to choose a site on the basis of availability or least cost, or simple preference. The impacts of these decisions are seen everyday--military installations in key scenic areas, heavy industrial plants in waterfront environments, waste disposal areas adjacent to residential concentrations, government and learning centers in remote locations.

But what about today? How, in reality, should significant locational questions be addressed on a regional level? At a minimum these issues arise whenever new investment is considered:

- o Environmental and general siting impacts
- o Community impacts
- o Transportation system impacts
- o Operating considerations

The siting of large office buildings, shopping centers, large housing projects, various plants and industrial facilities are subject to a fairly rigorous environmental impact assessment process, though the assessment of cumulative impacts often receives short shrift. But the pattern of development that evolves is often not considered, and the lack of a regional information base or siting policies hampers any move to evaluate development patterns.

The effects of the past twenty years' decisions on urban growth are very much in evidence. Witness the shortage of housing units--a problem in major areas of employment growth, such as San Francisco's CBD and "Silicon Valley." Look at the deficiencies of the regional transportation network--partially due to a lack of investment, partially due to the geographic setting. Jobs are here; employees live there. Businesses locate here; customers are drawn from there. And the costs? Perhaps incalculable. There are so many variables that costs can be discussed in only the most general terms. We have some familiarity with the home-to-work commute problem; less with the goods transport problems

of firms. We have only vague understanding of both the public costs of an erratic pattern of public investment in transportation, and of the fiscal impact of modifications to the development patterns now existing.

Regional attention to most of these locational issues has been spotty, due to local government concerns about local control and finance and lack of regionwide information. There is no question that the conditions of the past forty or so years have encouraged, rather than discouraged, haphazard investments in a regional sense. Thus a community tends to win in one round, lose in another.

To an extent, the general regional locational issues are overshadowed by a handful of major controversies. Dow Chemical, Hamilton Air Force Base, expansion of UC Medical Center, a sports arena for Santa Clara, expansion of San Jose Airport, demolition of the City of Paris building; these and other issues come and go amidst minimal study of the incremental impacts of accepting or denying an investment proposal. Santa Clara County has picked up on the issues raised by the ABAG/MTC Corridor Evaluation and begun to explore the larger locational patterns through three separate groups: the County General Plan Review Committee, the Industry and Housing Management Task Force and the Santa Clara County Manufacturing Group. Yet few Santa Clara County communities have changed their slow growth residential policies, even though such policies and the resulting housing shortage are beginning to impede private investment in the area.

It is important to note that highway and transit capacities are strained to the limit in every important transportation corridor in the region. Thus, there are emerging very real limits as to the amount of growth that can be accommodated within each economic activity center. The most glaring example continues to be San Francisco itself, cut off by water from two of three major sources of labor and materials. Moreover, the region's geographic form makes narrow corridors separated by land forms the rule rather than the exception, so that many corridors are strained, not just one or two principal routes. To date, these regional transportation considerations play only a small role in the evaluation of major development proposals in specific communities. Transit and highway improvement planning, to the degree it can occur, is following the development pattern, not forming it.

Some people have the impression that the region's form is so fixed that little modification is really possible, even with a major effort to control at the regional level. In a physical sense this is generally true. In the sense of the intensity, quality, and impacts of development, this is not the case, as much change can occur throughout the region's communities.

The impacts of employment and housing patterns mentioned above, coupled to those patterns already set, will reinforce what is already one of the nation's more difficult home to work commute situations. An examination of the present commute patterns from Sonoma County and Contra Costa County to San Francisco also shows where imperfect knowledge of regional development trends created a costly and disturbing set of conditions.

Today there exists long commutes by San Francisco workers from distant housing locations because builders have had to jump over available sites due to (1) slow-growth and other environmental barriers and (2) cost differentials due to rising land values.

With 70 percent of all jobs concentrated in San Francisco, Alameda, and Santa Clara counties and with housing development opportunities limited to peripheral areas, the commute problem appears insoluble unless major efforts are made to redress the jobs-housing imbalance itself. It is not likely that public transportation systems can accommodate both the current demand, up dramatically since the latest gasoline crisis, and the projected requirements of coming years. In the not too distant future, one might expect the private or public employer considering a facility to find that transportation problems, not wage rates or other labor conditions, are the barrier to locating in many regional centers.

These two related areas of concern must receive more attention if regional economic development is not soon to start slowing down. With each community concerned with density increases and the effects of additional population gains as well, a solution or series of answers to the jobs and housing imbalance and the movement of workers will demand a high degree of coordinated study on a regional basis.

Issue #4: Balancing Growth and Environmental Management

It was mentioned earlier that most citizens find their interests lie in "locational questions." Most locational issues, though involving

questions of environmental quality, deal with a specific proposal and the consideration of a rather limited set of environmental questions. For example, debate on housing or a shopping center proposal most often concerns the project's impact on the locality.

The participants in the real balancing act between growth and environment tend to be elected, appointed, or career members of regulatory bodies, and private corporations. It is in this arena that the significant proposals, counterproposals and compromises are seen. And it is for these people that regional attention to growth and environment questions becomes a matter of concern. The rapid acceptance by the public at-large of rather far-reaching regulatory actions by government in recent years has sounded a warning bell to those interests opposed to extensive environmental regulations. Thus major political forces come into play as well.

The issue itself can be stated simply, though definitions again become a problem. The concept of "balance" implies sensible tradeoffs and a desirable condition. But what is "growth" and what is "environmental management?" What is acceptable to some is not to others. Technical problems with measuring the economy and the ecology in the region make it difficult to measure gains, losses, and any changes in the short run. The political aspects of legislative bodies make it hard to predict their actions in the future, or to ascribe success or failure to the technical issues involved.

Again, lack of knowledge by the participants makes it more difficult to

deal sensibly with the issue in general. If one only dimly perceives what aspects of "growth" are critical to the region's future--its employment base, its key industries--then it is very difficult to make rational decisions about growth versus any environmental compromises. Conversely, if the environmental consequences of certain economic activities can only be hinted at, without any real evidence one way or the other, then those attempting to "balance" are operating in the dark, with limited efficiency or beneficial impact.

The Bay Area enters the last twenty years of this century with a number of unresolved conflicts in this area. The region's recently adopted Environmental Management Plan resolved many conflicts but also highlighted others. Realizing that environmental management is not static, and demands periodic plan updating and assessment of implementation programs, ABAG and a number of other agencies have agreed to carry on a continuing planning process. This process accepts that additional regulatory programs--such as further limits on air pollutants emissions from various sources, the location of heavy industry, and proposals to restrict automobile use--will inherently generate controversy.

Assuming that a reasonable balance is the goal, it is then necessary to develop some goals in the economic growth field as well as in the environmental management area. For instance, if a certain level of environmental quality calls for a reduction in activity (and employment, perhaps) in "heavy" manufacturing, then some concessions and stimulants to employment might be considered at that time for other job growth

opportunities, and a retraining program for affected workers. It is a large order and one that to succeed must involve producers as well as regulators of economic development, since simultaneous contributions to different decision processes are needed.

This is a worthwhile direction of events since additional knowledge of the consequence of additional regulation in environmental management is needed. At the same time, business and institutional claims about the importance of their economic development proposals deserve scrutiny. What, for instance, are the implications of no additional heavy manufacturing development in the region? Is that particular level of activity out-of-date in a market sense, and are there real losses in the future if such development is precluded? What port facilities and services will be needed if the Bay Area is seriously to pursue opening up Asian markets?

To attempt to seek any "balance" of growth and environmental protection is futile without considerable advances in the body of knowledge related to these and similar examples. It is no easy task. Equally important, a forum to debate regional environmental, social and economic considerations is required.

In a regional sense, we have a long way to go. On a case-by-case basis, interesting things are seen; but in a regional setting individual participants tend to work out individual compromises, or lose whatever battle is at hand. A good deal of the reluctance to take a regional point of view is probably tied to political realities and the time

required to generate and assimilate knowledge at a regional scale. It would seem that an effective regional approach to economic development may well lie in developing a better understanding of development issues and the consequences of certain actions. A regional approach also offers the opportunity to balance economic, social, and environmental considerations which have previously not had a forum for discussion.

C. Comments on the Region's Economy

The regional economy, although overall strong and growing, could be harmed in a number of ways. While some factors are clearly beyond the control of decision-makers within the region, others affecting the Bay Area can be dealt with. The matters cited below are specific concerns that have been raised by economic development officials during interviews over the past year. Their concerns have been grouped into related areas. Others that were felt to require action at a level beyond the region were excluded.

1. Improving the jobs/housing balance and increasing the total housing supply to ensure continued economic growth:

- o More housing, even at higher densities, needs to be developed near job centers

- o Major investments are needed in the region's transportation network.

- o Access to new jobs, especially from centers of unemployment, should be improved.
- 2. Providing technical assistance to local governments and existing industries, particularly in distressed areas and those providing blue collar jobs:
 - o Vulnerable firms should be assisted in meeting pollution regulations
 - o Cities with pockets of poverty and high unemployment should have greater assurance of State and Federal assistance for economic development projects
 - o Firms that can fit into distressed areas should be identified
- 3. Improving the ability of vocational training and retraining programs to link up job expansion in growth industries such as offices and high technology:
 - o Local programs should be assisted so they can better reflect the realities of the regional economy and labor market
 - o The potential for continued blue collar jobs in some

locations should be assessed

- o New job skills that will be in greatest demand should be identified

4. Improving the administration of regional and local development and environmental regulations to improve clarity and predictability without sacrificing their purposes:

- o Ways of improving coordination of regulations without changing legislative mandates need to be identified.

- o Ways to permit growth in needed, pollution-emitting industries through trade-offs, emission banking or other devices need to be identified.

5. Improving the ability of public agencies to provide funds for needed economic development programs:

- o More support for transportation facilities throughout the region is needed

- o New legislation is required to provide cities and counties with flexible and predictable revenue bases

- o The costs of public projects that affect large areas of the region should be more equitably shared by the region.

III. DEFINING A ROLE FOR ABAG

"What is an appropriate role for ABAG?" Having reviewed the special problems and issues facing the Bay Area economy, the next step is to look at ways for ABAG to respond to them. To begin, a review of ABAG's potential for action is required.

Several kinds of activity are available to ABAG; other kinds of activity are not. While the Association is well suited to raise issues and provide information, implementation--environmental and land use controls--are the province of others. As a planning agency ABAG can collect and analyze data, provide technical assistance, provide leadership as a forum for the discussion of regional issues, develop plans, and advocate action by others. All of these are important functions and can provide the direction and context for more specific actions by Federal, State, and other regional agencies and local governments.

There is a clear and recognized need for regional planning for economic development. Many economic activities are regional in nature and respond to changes in population growth and land use patterns. The transport of goods and products relies on regional transportation systems. Many Federal investment decisions on the local level combine to have a significant regional impact. However, unlike many other ABAG plans, such as those for environmental quality and housing, there is no mandate for regional action in the form of Federal or State laws. The only clear mandate is a recognition that regional economic development

policies are needed to complement other regional planning policies developed over the last decade. To this end, local elected officials, business leaders, and interested citizens have urged ABAG's participation in this area.

This project began with the assumption that ABAG can play an effective role in economic development planning for the Bay Area. Listed below are six areas where ABAG could act effectively.

A. Information

Sound economic development decisions in both the public and private sectors rely on a broad range of accurate and up-to-date data. There are not adequate data on a number of facets of the region's economy. The San Francisco Bay Area Economic Profile, produced by ABAG in cooperation with the Bay Area Council, is an attempt to fill some of these data needs. Examples of unanswered questions that remain include:

- o What are the needed job skills regionwide?
- o How are the fiscal policies of local governments affecting the economic development potential in the region?
- o What are the costs and benefits associated with the growth of housing on the fringes of the region and resulting long distance commutation?

- o What facilities will be needed to respond to growth opportunities in the next ten years?

This is a representative list and by no means exhaustive. Priorities on such analysis, of course, should complement regional economic development policies once adopted by ABAG.

In addition to collecting new information and analyzing it or other available data, ABAG can also play a role as an information clearinghouse. Within the Bay Area, a number of communities have undertaken economic development projects and met with a variety of successes and failures. This information is useful to other communities as they begin work in this area. By providing information about other experiences, Bay Area communities can learn from one another. ABAG can act as a conduit for that information.

B. Planning Assistance

Passage of Proposition 13 has increased every local government's awareness of the need for a viable economic base to help support the costs of providing public services. While only a few in the Bay Area have undertaken full-scale economic development planning to date, work has been done in this field throughout the country. ABAG can provide planning assistance to local governments through its newly formed Local Government Services Unit. Such sharing of professional skills and knowledge is cost-effective because individual communities do not have

to hire a full complement of new staff or consultants with specialized skills to assist in their efforts. As with the CRIS system, sharing expertise among jurisdictions at cost is considerably cheaper for local governments than other forms of assistance.

ABAG is currently discussing with State and Federal agencies the possibility of obtaining funding for a planning assistance program. ABAG has suggested the establishment of a local government economic development planning program with three functions: planning assistance, intergovernmental coordination, and Federal-State agreements. Specifically, these functions would include:

- o Planning assistance to communities, enabling them to prepare local economic development strategies and implement projects for their needs
- o Consultation with regional, State and Federal agencies to ensure that the local strategies fit with environmental regulations and support regional, State and Federal policies
- o Commitment by State and Federal funding agencies to give higher funding priority to projects designed to implement the local economic development strategies.

C. Debating Regional Issues

A working relationship among leaders of the business community and

public agencies is required for sound economic growth in the region. Business needs assurances of the availability of a trained labor force, adequate public facilities, and stable development and environmental policies. Public agencies require better knowledge of business problems affecting expansion or potential plant closings. ABAG can be the catalyst for bringing together key decision-makers from the private sector and government to examine regional trends and problems and identify appropriate responses. In doing so, ABAG would analyze trends and identify their consequences, raising important issues for debate by the major decision-makers, and assist in coordinating the separate public and private decisions.

An example of this type of activity was the role ABAG played in the Santa Clara County Valley Corridor Evaluation, a transportation and land use study of that County. Over many months, key decision-makers in the County developed a consensus on actions needed to solve severe problems of inadequate housing opportunities close to jobs and an overburdened transportation system.

D. Plan Development

Probably the most obvious activity for ABAG is to develop a comprehensive set of economic development policies to include in the Regional Plan. Such policies are regional in scope and generally address longer range issues than those found in local government general plans. They are developed for several reasons:

- o Provide a regional perspective
- o Raise issues of regional concern
- o Develop a consensus on action among jurisdictions in the region

The development of such a plan element is therefore closely tied to other recommendations in this chapter.

Federal grants are often required to support major private economic development projects. As the Federally-designated A-95 clearinghouse for the Bay Area, ABAG is responsible for reviewing Federal grant applications for their consistency with regional policies. To review grant applications that relate to economic development and to review other grants for their economic development implications, more sophisticated policies are required. A-95 reviews are somewhat limited because grant applications are not always reviewed within the context of overall development plans. ABAG's adopted policies in economic development are presently limited and not particularly comprehensive. To develop an effective strategy that can be implemented, those policies should be carefully reconsidered and new policies developed.

E. Advocacy

It is difficult to advocate effectively without policies to guide such

activities. Many issues affecting the region's economy, especially the economic health of local governments, are affected by State and Federal legislation and regulations. A lobbying effort by an association of local governments to change or add to State and Federal policies presumably would be more effective than action by an individual city or county. In fields where ABAG has had considerable experience, such as environmental management, regional advocacy has been quite effective.

IV. RECOMMENDATIONS

This section recommends an expanded role for ABAG in economic development during the coming year. The recommendations respond to the problems identified earlier in this report as well as the comments from persons interviewed about an ABAG role. The recommendations also take into consideration the issues and suggest a work program that is realistic, given ABAG's responsibilities and resources.

The recommendations are divided into three sets. The first deals with reinforcing the participation of the Regional Planning Committee and its Economic Development Subcommittee in overseeing the work in the coming year and providing a forum for debating critical economic issues. Paired with this is a proposed program of public participation that seeks to inform citizens of the Bay Area about economic development problems and opportunities and involve interested groups in developing a regional strategy. The second set proposes that ABAG examine the impacts of urbanization, energy and environmental regulation on the economy of the region. This effort would look at different future possibilities, such as a more seriously curtailed energy supply, and the effects they could have on the economy as it is now projected to grow. The purpose of this investigation is to identify where modifications may be required and where the strengths of the economy lie. The third set of recommendations calls for the writing of economic development policies for the ABAG Regional Plan. At the present time regional policies in this are limited in number and in scope. A regional plan must take into consideration the whole range of issues that are

essential to the continuing development, both physical and social, of the region. Economic development policies will provide an important new perspective to existing urbanization and environmental policies of ABAG.

In addition a planning assistance program in ABAG's newly formed Local Government Services Unit is also suggested. Increasingly, as local governments recognize the need for local economic development programs, planning assistance can be of considerable help in designing a program for the unique requirements of a jurisdiction. ABAG can provide such services economically. This kind of program is not eligible for funding through ABAG's current grant from the U.S. Department of Commerce Economic Development Administration. ABAG, however, is pursuing other funding sources in order to make this service available.

A. The Regional Planning Committee

ABAG's Regional Planning Committee (RPC) is responsible for initiating regional policies in all areas. The Regional Plan now includes policies in housing, environmental management, safety, recreation, transportation, and health. The RPC is also responsible for the on-going planning program adopted as part of the Environmental Management Plan. As such, the committee, made up of local elected officials and representatives from business, labor, environmental and civic groups, has a comprehensive perspective. During the past year the RPC created an Economic Development Subcommittee and, in the coming year, it is proposed that the RPC continue and possibly enlarge the subcommittee.

The RPC also provides a place in which issues can be carefully examined before recommendations are forwarded to ABAG's Executive Board or General Assembly for final action. Because no single regional agency has responsibility for plans and regulations that affect the region's economy, the RPC provides a unique opportunity for reviewing economic, social and environmental aspects of major plans and projects. In a sense this review is advisory to other bodies with specific responsibilities for regulation. At the same time such reviews can shape ABAG's comments on Federal grant applications through the A-95 process.

In the past year citizens have expressed more concern about Bay Area's economy and the effect other actions such as environmental regulation and Proposition 13 will have upon it. Because information about the economy has not been available, community groups and local governments find it difficult to understand the long range impact of individual decisions. ABAG can provide needed information and meet with various groups to more fully explain the implications of regional analysis to date. Community participation in ABAG's work is equally important, and more involvement is recommended, particularly in the preparing and reviewing a regional economic development strategy.

B. Evaluation of Alternative Futures

As a regional planning agency with sophisticated analytic capabilities, ABAG can provide useful information about the possibilities of change in

the region and their impact on the economy. Three areas are recommended for investigation: Potential changes in urbanization, energy and environmental regulation. This assessment of altering circumstances in these areas should be a useful aid in preparing economic development policies.

Four tasks are proposed to develop plausible economic futures:

1. Review regional projections and plan policies. The emphasis here is on reviewing ABAG's projections of regional population, employment, housing and land use in ranges. Existing local and regional policies would also be examined for their impact on future economic growth.
2. Review the Environmental Management Plan and Update Report. Environmental regulations obviously affect the economy. This task would review adopted policies. Due to recent energy constraints and economic problems, it is conceivable that some changes may occur in environmental regulations. For example, the adopted EMP assumes the following for air quality: continuation of new source review (NSR), more control technology guidelines (CTG's)--especially for hydrocarbon emitting industries, tighter vehicle emission standards, and a series of transportation control measures. If the measures are either not implemented or substantially delayed, the economic costs to industry and the public will be

significantly altered. This task would examine the importance of the environmental regulatory situation and its impact on economic development policies for the region.

3. Develop projections for regional energy resources. The future of the Bay Area's economy is directly affected by the availability of future energy supplies. This task would determine the effect that differing amounts of energy would have on the region. The projections would be derived from ABAG's energy resource conservation and planning program which is examining critical energy supply/demand issues and projecting future needs. This study will prepare forecasts of energy demand and anticipated supplies and discuss the role of energy conservation and institutional issues related to effective energy planning. The task proposed here would integrate this information and data with economic development considerations.
4. Identify alternative economic futures for the Bay Area. This task would develop three or four alternative futures, using the three previous tasks as a basis. Each future would reflect a series of different assumptions about the region's population, housing, employment, environmental regulations and energy resources. Each future would be developed as a plausible occurrence,

depending on regional, State and Federal policy actions currently implemented or expected. Assessing these futures help to structure economic development policies for the region.

C. Policy Development

As recommended, ABAG's Regional Planning Committee would formulate a series of economic development policies using the information and evaluation results noted in Section B. These policies would present regional goals and objectives and consider actions needed to deal with known, or projected economic development problems. Taken together, these policies would constitute a regional strategy. Finally, the policies would be integrated with other policies in the Regional Plan.

All ABAG planning is directed by endorsed regional policies. This is true for A-95 reviews, in-depth early reviews of major development proposals such as the Las Positas review, and the day-to-day actions of the Executive Board. Economic issues, by and large, have been neglected in the past. ABAG's recent experience with the Regional Housing Element and the Environmental Management Plan made clear the need for a more thorough understanding of economic policies.

An important role for the RPC in preparing regional policies will be to identify potential conflicts among individual economic development objectives, as well as conflicts among economic development objectives and other regional objectives--e.g., environmental management, energy

conservation, and adequate housing. Once these conflicts are identified and understood, the RPC will be in a better position to recommend resolution. Evaluation of conflicts within a political setting provides a realistic basis for formulating a reasonable, balanced and consistent regional economic development strategy.

Planning Assistance to Member Governments

Economic development planning, while relatively new to the Bay Area, is an established specialization in the planning profession. Certain standard measures are generally used to define the economy of a city as well as its growth or decline, and there are established methods used to translate local concerns into plans and programs. Obviously a plan for any city must be uniquely designed to meet the conditions of that city. It is proposed that ABAG provide these services to local government at minimal cost, where requested. The idea is for ABAG to assist local staffs rather than perform the work, thus enabling local staffs to develop their own skills. ABAG will also work with State and Federal agencies to obtain agreements, where possible, that these new programs are given priority in obtaining financial assistance to carry them out. Such funds are limited, and plans that respond to larger regional economic issues as well as local conditions are likely to be more favorably received. ABAG will also continue to assist communities, (similar to recent efforts in Southern Santa Clara County) in holding conferences which bring together local and regional participants from both public and private agencies responsible for economic growth.



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Conclusion

This report proposes an enlarged role for ABAG in the field of economic development. This proposal is based on the work of the Economic Development Subcommittee of ABAG's Regional Planning Committee, interviews with persons involved in the field, and staff investigations. Clearly, there is an important regional component to economic growth, and increasingly problems affecting the economy are regional in scope. ABAG's policies in economic development are now limited, and it is proposed that major effort in the coming year be directed at updating and expanding the scope of those policies. The cities and counties of the Bay Area have demonstrated their ability and willingness to cooperate in resolving such critical regional issues as those related to environmental protection. The challenge of developing a strategy to protect and enhance the economy of the region is equally great.

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